HOUSING MARKET OUTLOOK
St. John's CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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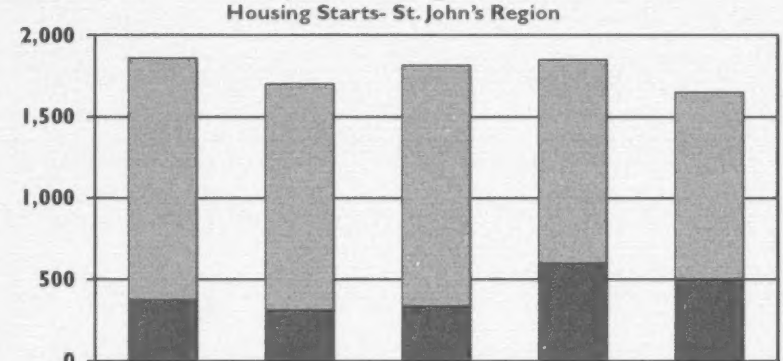
Housing Market to Remain Solid

Strong consumer spending and growth in employment, income and population will continue to provide support to the local housing market for the remainder of this year and throughout 2012. However, current prices and a large supply of new and existing housing inventory will contribute to moderately lower levels of activity over the forecast period. The outlook for the St. John's area housing market remains solid, but recent levels of activity are not likely to be sustainable and are expected to normalize in 2012.

Figure 1

Multiples Offset Singles Decline
Housing Starts- St. John's Region



	2008	2009	2010	2011(f)	2012(f)
Singles	1,485	1,385	1,479	1,250	1,150
Multiples	378	318	337	600	500

Source and Forecast: CMHC

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Economic Overview

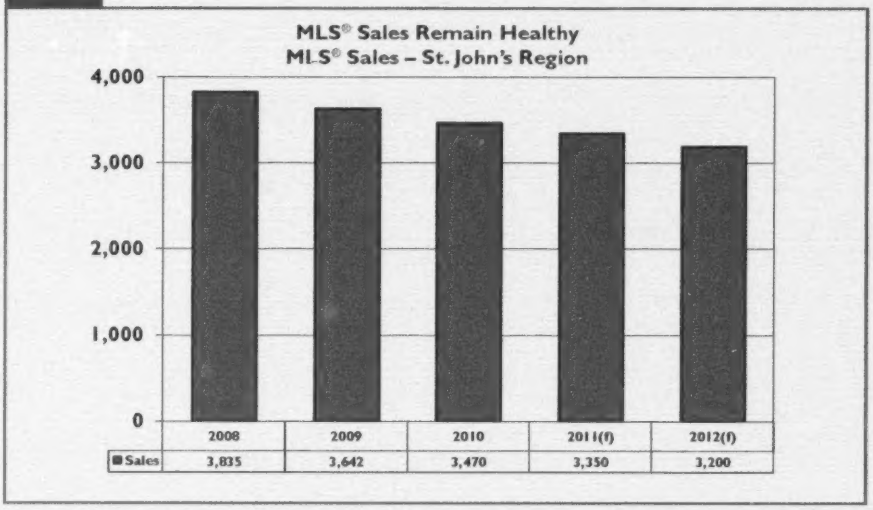
From an economic perspective, energy and mining project development, as well as current oil production and mining activity, will be the key drivers of economic growth. Capital investment will continue to provide a significant level of stimulus for both the local and provincial economies, with Newfoundland and Labrador (NL) having the best economic outlook in Atlantic Canada for 2011 and 2012.

Current indicators of growth for 2011 include strong employment and income gains, as well as positive growth in population and consumer spending. Economic growth will also come from the province's considerable infrastructure spending program. Accordingly, expect 3.5 per cent GDP growth this year and 2.5 per cent in 2012.

The decline in the fishing industry will continue to impact NL's rural economies, but population losses at the provincial level will moderate over the forecast period, as a result of strong economic conditions in St. John's and capital project activity. It is also expected that growing demand from seniors and a tighter rental market will support higher multiple housing construction activity over the forecast period.

Natural declines in offshore oil production will constrain GDP growth slightly in 2011 and 2012. However, increased royalties from oil production received by the province will partially offset these expected declines with the additional money being used, in part, towards funding infrastructure spending and paying down debt. It is also expected that a number of additional resource related projects will continue to add to economic growth.

Figure 2



Source: CREA, Forecast: CMHC
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Mortgage Rates

Recent announcements by the Bank of Canada have indicated that the Bank will be leaving the target overnight interest rate unchanged at 1.0 per cent for some time to come. The Bank has been noting that in light of slowing global economic momentum and heightened financial uncertainty, the need to withdraw monetary policy stimulus has diminished. The last increase in the overnight interest rate occurred on September 8, 2010 when the Bank of Canada raised it by 25 basis points. Mortgage rates, particularly short term mortgage rates and variable mortgage rates, are expected to remain at historically low levels.

According to CMHC's base case scenario, posted mortgage rates will remain relatively flat until late 2012. For 2012, the one-year posted mortgage rate is expected to be in the 3.4 to 3.8 per cent range, while the five-year posted mortgage rate is forecast to be within 5.2 to 5.7 per cent.

Resale Market

Fewer MLS® Sales

The St. John's area resale market is expected to post reduced sales activity this year and next. Accordingly, the forecast calls for MLS® sales of 3,350 units this year, with 3,200 sales expected in 2012. With most new homes selling through the MLS® system, solid residential construction activity will support total MLS® sales.

The 14.8 per cent increase in last year's average price was partly due to higher new home construction activity. The housing market was solid in 2010, but favoured buyers during most of the year. With housing demand expected to wane slightly over the forecast period, unit sales will remain healthy, but will not be on par with recent levels. With only 15 per cent of active listings selling since the beginning of this year, resale market conditions have proven challenging for some sellers. However, with increased inventory to choose from,

many buyers fared well in their home search and in some cases, shifted away from higher-priced homes. The price premium observed in 2011 on a newly built home compared to an existing home resulted in increased first-time buyer activity within the lower-priced existing home or resale market. This trend is expected to continue in 2012.

Buyers' Resale Market

Historically, the St. John's area resale market tends to be balanced. However, stimulus from major capital project announcements positioned the market as sellers in late 2008 and during most of 2009, before settling into buyers' conditions throughout 2010 and so far in 2011.

In terms of unit sales, the market has been flat since May of 2010. With a 30 per cent increase in active listings this year, multiple offers are a thing of the past and many listings have been withdrawn. Sale prices, however, have held up, coming in at approximately 98 per cent of asking price, with listings on the market 70 days on average before selling. To the end of September, the average price of $265,797 was approximately $15,000 or 6.7 per cent higher relative to the same period in 2010. The combined effect of these variables will result in the local resale market ranging from buyers to balanced market conditions for the remainder of this year and into 2012.

Subdued Price Growth

With the local resale market fairly flat, the expectation is for subdued price growth in 2012. After three years of very strong growth, the average MLS® house price is forecast to end this year at $265,000, up 5.5 per cent compared to 2010's average of $251,191. The average price will see marginal growth of two per cent to about $270,000 in 2012. The typical move-up buyer's preference for two-storey homes will continue to support prices in this segment over the forecast period. Bungalows, row and semi-detached units will remain attractive homeownership options for first-time buyers.

New Home Market

Mixed Construction Activity

Although new home construction activity will range from being flat to moderately lower throughout the St. John's region this year and next, it will still be supported by solid economic and demographic trends, as well as a continuation of activity from several large capital projects. With unsold new home inventory at a record level, price growth will be constrained in the new home market for the remainder of 2011 and 2012. Accordingly, single-detached new home prices will end 2011 at about $343,000 and reach $350,000 in 2012. Single-detached housing starts are forecast to end this year down 15 per cent to 1,250 units for the St. John's area and retreat approximately eight per cent in 2012 to 1,150 units.

Higher Multiple Starts Activity

Growing demand from seniors and a tighter rental market will lead to increased multiple construction activity over the forecast period. The multiple unit segment of the market is expected to see a record 600 units constructed this year, declining to 500 units in 2012. With high new home prices, the number of new single-detached homes with basement apartments will remain high, as many buyers choose to add the apartment unit to offset mortgage carrying costs.

The mid-priced local condo market is developing much slower than expected, but smaller households and a rapidly aging population continue to support demand for condo units in the St. John's area. The expectation is for those downsizing to sell their home and buy a condo without a mortgage. Recent condo price growth, however, has made this move difficult to achieve. Accordingly, mid-priced ($250,000 to $300,000) condo developments are expected to gain traction over the forecast period. Despite considerable house price growth in recent years, particularly in the single-detached housing segment, demand for row and semi-detached housing remains very low.

With an excess supply of new homes for sale, total housing starts are forecast to end this year flat at 1,850 units within the St. John's region and retreat approximately 11 per cent in 2012 to 1,650 units. Although lower, construction activity will still be above the current ten-year average of 1,627 units.

Rental Market

Vacancy Rate to Remain Low

Several demand factors will keep the vacancy rate low this year and next. With recent growth in house prices, the movement of renters to homeownership will remain limited. Also, increased economic activity will continue to have a positive impact on the in-migration of workers to the St. John's area from other areas of the province. Memorial University and local colleges will continue to draw both local and international students, who traditionally rent within the region as well.

Investment in new multi-unit apartment developments is expected and will begin to increase the supply of apartments in 2012. However,

before a significant increase in large-scale developments occurs in the local market, average rents need to rise moderately higher in order to offset high development and construction costs. Accordingly, the vacancy rate for surveyed structures containing three or more rental units (two-apartment homes excluded) is forecast to remain low at 1.3 per cent in 2011 and rise marginally to 1.5 per cent in 2012. With the vacancy rate remaining low, expect demand to continue to push surveyed average two-bedroom monthly rents to $775 by the end of this year and to $825 in 2012.

Forecast Summary St. John's CMA Fall 2011							
	2008	2009	2010	2011f	% chg	2012f	% chg
Resale Market							
MLS® Sales	3,835	3,642	3,470	3,350	-3.5	3,200	-4.5
MLS® New Listings	5,783	5,799	6,332	6,500	2.7	6,000	-7.7
MLS® Average Price ($)	187,571	218,862	251,191	265,000	5.5	270,000	1.9
New Home Market							
Starts:							
Single-Detached	1,485	1,385	1,479	1,250	-15.5	1,150	-8.0
Multiples	378	318	337	600	78.0	500	-16.7
Starts - Total	1,863	1,703	1,816	1,850	1.9	1,650	-10.8
Average Price ($):							
Single-Detached	230,473	281,803	325,436	343,000	5.4	350,000	2.0
Median Price ($):							
Single-Detached	215,372	260,000	299,904	316,000	5.4	322,250	2.0
New Housing Price Index (% chg.)	19.6	11.5	5.9	3.0	-	3.0	-
Rental Market							
October Vacancy Rate (%)	0.8	0.9	1.1	1.3	-	1.5	-
Two-bedroom Average Rent (October) ($)	630	677	725	775	-	825	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.70	4.02	3.49	3.60	-	3.56	-
Mortgage Rate (5 year) (%)	7.06	5.63	5.61	5.42	-	5.43	-
Annual Employment Level	98,600	98,600	100,900	104,500	3.6	106,000	1.4
Employment Growth (%)	3.7	0.0	2.3	4.1	-	4.0	-
Unemployment rate (%)	7.8	8.3	7.7	6.5	-	6.0	-
Net Migration	2,097	2,231	2,262	2,200	-2.7	2,000	-9.1

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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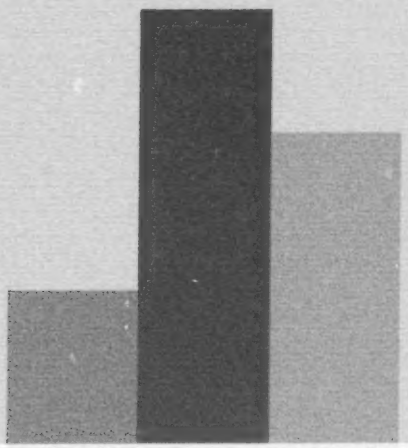

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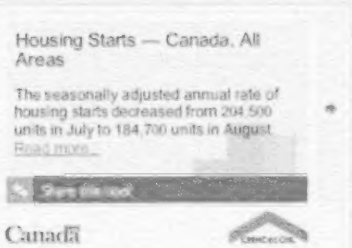
Housing Starts — Canada, All Areas
The seasonally adjusted annual rate of housing starts decreased from 204,500 units in July to 184,700 units in August.
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